

Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner (PFCC) for North Yorkshire

22nd February 2022

Status: For Decision

Medium Term Financial Plan (MTFP) 2022/23 to 2025/26 and Capital Plans 2022/23 to 2025/26 - North Yorkshire Fire.

1. Executive Summary

1.1 Purpose of the Report

1.2 The report sets out the detailed Budget for 2022/23 and the Medium Term Financial Plan (MTFP) for 2022/23 – 2025/26 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PFCC to agree the funding for the Capital Programme for 2022/23 and the indicative allocations for the period 2023/24 to 2025/26.

2. Recommendations

2.1 The PFCC is requested to approve the Revenue Budget as set out within this report and in doing so the delegation of an expenditure budget to the Chief Fire Officer of £38,161k in line with the plans set out within this report.

2.2 The PFCC is asked to note that the Budget for 2022/23 is being supported through the release of £816k from reserves although it is important to recognise that the release of these reserves are directly matched to non-recurring expenditure and are not being used to balance the budget.

2.3 The PFCC is asked to approve the Reserves Strategy that is attached at Appendix B.

2.4 The PFCC is asked to note that the 2022/23 budget is based on the approved 1.98%, or £1.47, increase in the level of Band D precept for 2022/23.

2.5 The PFCC is asked to note the Robustness of Estimates and Adequacy of Financial Reserves Advice from the PFCCs CFO that is included within this report.

2.6 The PFCC is asked to approve that additional External Borrowing of £5,896k can be taken out during the year, if required, to fund the Capital Programme.

2.7 The PFCC is asked to approve that the Capital Programme is initially set at £7,774k,

as set out at Appendix A, for 2022/23 and within that programme approve that:

- Indicative approval of the 2023/24 Capital Programme budgets, as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2023/24 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2023/24 Capital Programme will be submitted for formal approval at this time next year.
- Delegation to the Commissioners Chief Finance Officer to approve, where needed and appropriate, for the carry forward of any slippage from the approved 2021/22 Capital Programme into 2022/23.

3. Planning and Funding Assumptions

3.1 Local Government Finance Settlement 2022/23

3.2 The final 2022-23 local government finance settlement was announced by the Secretary of State for Levelling Up, Housing and Communities, Michael Gove MP, in a written ministerial statement on Monday 7 February 2021.

3.3 This followed from the Provisional settlement on the 16th December 2021.

3.4 While there were no significant changes to methodology proposed in the provisional settlement there were changes to the financial information provided on the 16th December, these were as follows:

- Changes to allocations accounting for errors within the provisional settlement, most significantly under indexing but also accounting for the new fire precept principles announced at the provisional settlement.
- Standalone FRA allocations are £21m higher than reported at the provisional settlement.
- Standalone FRAs' Core Spending Power increases by 6.2% (£86m).

3.5 Headlines

3.6 Due to the timing and detail of local government finance announcements at the 2021 Spending Review (SR2021)), the majority of the settlement was already known.

- Core Spending Power increases by an average of 7.4% (£3.73bn) – assuming all authorities levy the maximum precept allowed in 2022-23.
- New grant funding has been allocated as follows:
 - £822m one-off 2022-23 Services Grant (through Settlement Funding Assessment)
 - £636m Social Care Grant
 - £72.5m additional Settlement Funding Assessment
- The Rural Services Delivery Grant for 2022-23 is cash flat. Allocations are unchanged from 2021-22, with the total funding equalling £85m.
- Additional SFA is un-ring fenced but is expected to cover additional costs due to pay, inflation, the increased National Insurance levy and all other pressures.
- The government “is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources,” - the fire and

rescue part of the current funding formula is not expected to change.

- Fire Pensions Grant have been confirmed at Flat Cash.

3.7 Council Tax Precepts

3.8 The Final Settlement set council tax referendum thresholds for FRAs as the Basic Precept referendum limit will be a 1.99% increase for 2022-23 with a new £5 referendum principle being introduced for the eight lowest-charging FRAs.

3.9 Core Spending Power

3.10 The core settlement is made up of Baseline Funding Levels and Revenue Support Grant (RSG). Settlement Funding Assessment (SFA) will rise by £72.5m in 2022-23 with an the additional £822m for a one-off 2022-23 Services Grant based on SFA but not included within the SFA total. This one-off grant would be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

3.11 Baseline funding levels (BFL) which are funded through Business Rates, are flat in cash terms as the government announced at the Autumn Budget that the Business Rate multiplier will be frozen next year, but Authority's will be compensated through Section 31 grant in the usual way for indexation compensation grants.

3.12 Council Tax Base Assumptions

3.13 The provisional settlement includes an assumption around council tax base growth. The Government have taken each local authority's average annual growth in their tax base between 2017-18 and 2021-22 and used it to project a tax base figure for 2022-23.

3.14 What Impact does the Final Funding Settlement have on Fire Services Funding in North Yorkshire?

3.15 Based on the information produced by the Government and received to date, then the Government calculate that the Core Spending Power for North Yorkshire Fire is projected to increase by circa 4.5%, between 2021/22 and 2022/23.

3.16 The projected 4.5% is significantly below the average increase expected for Standalone Fire and Rescue Authority's at 6.2% and is also the 3rd lowest increase in the country. Further details on the projected settlements are set out below:

Core Spending Power: 2022-23 compared to 2021-22	Core Spending Power	Core Spending Power	Percentage change in Core Spending Power from 2021-22 to 2022-23
	£ millions	£ millions	
Fire and Rescue Authority	2021-22	2022-23	Percentage Increase
Hereford and Worcester Fire	32.8	34.2	4.4%
East Sussex Fire	39.7	41.5	4.5%
North Yorkshire Police, Fire and Crime Commissioner	32.0	33.5	4.5%
Dorset and Wiltshire Fire	57.9	60.5	4.5%
Devon and Somerset Fire	78.5	82.1	4.6%
Kent Fire	73.5	77.1	4.9%
Staffordshire Police, Fire and Crime Commissioner	42.4	44.5	5.0%
Essex Fire	73.5	77.2	5.0%
Shropshire Fire	23.1	24.2	5.0%
Bedfordshire Fire	30.8	32.3	5.0%
Cambridgeshire Fire	30.6	32.2	5.1%
Cheshire Fire	44.8	47.1	5.1%
Derbyshire Fire	39.2	41.2	5.1%
Durham Fire	29.8	31.4	5.2%
Avon Fire	45.0	47.3	5.2%
Nottinghamshire Fire	43.5	45.8	5.2%
Humberside Fire	45.0	47.5	5.5%
Tyne and Wear Fire	50.1	52.9	5.6%
South Yorkshire Fire	52.1	55.0	5.6%
Merseyside Fire	63.0	66.6	5.7%
Cleveland Fire	27.7	29.4	6.0%
Lancashire Fire	57.1	61.8	8.2%
Hampshire and Isle of Wight Fire and Rescue	74.7	80.9	8.3%
West Yorkshire Fire	83.6	90.7	8.5%
Berkshire Fire	35.1	38.1	8.5%
Buckinghamshire Fire	28.5	30.9	8.6%
West Midlands Fire	99.8	108.4	8.6%
Leicestershire Fire	36.6	39.9	8.8%
Northamptonshire Police, Fire and Crime Commissioner	23.7	26.0	9.4%
Stand Alone Fire Service Core Spending Power Totals	1394.2	1480.2	6.2%

** Those services highlighted in Orange in the above table have the ability to increase their Precept by £5 in 2022/23. The percentage increases in Core Spending Power above currently reflect that they all take this flexibility.

3.17 Percentage change in Core Spending Power from 2021-22 to 2022-23

3.18 If North Yorkshire had received an average increase in Core Spending Power (of 6.2%) then this would have equated to £538k more funding

3.19 If North Yorkshire had received an increase in Core Spending Power of 9.4% (as Northamptonshire could receive) then this would have equated to £1,579k more funding.

3.20 Funding beyond Core Spending Power

3.21 **Funding for 2023/24 and beyond**

3.22 On 27 October 2021, the government announced the outcome of Spending Review 2021. 'This Spending Review will provide local government with a strong foundation for the next three years, with around £1.6 billion of additional grant in each year of the Spending Review period, including for the Supporting Families Programme, and additional funding to tackle cyber security challenges facing councils. This will be delivered outside of the Local Government Finance Settlement and further detail will follow in due course.'

3.23 Further to this the Government announced that 'To prioritise certainty for 2022/23, we propose delivering a one-year local government finance settlement.'

3.24 There was however no specific reference to Fire Funding within the Spending Review and unfortunately the one-year settlement has not provided any further surety about future levels of funding to enable better financial planning.

3.25 We have therefore assumed the Total Settlement Funding will increase by 2% per year.

3.26 MTFP Assumptions

A review of the assumptions within the MTFP has been undertaken, these will remain under review and are updated with the best information available, the current assumptions incorporated into the MTFP for 2021/22 and beyond are as follows:

- Pay Awards: Pay Increase of 3% in 2022/23, followed by a 2.5% increase in 23/24, and then 2% increases thereafter
- Precept: Increases of 1.99% per annum
- Tax Base increases 1.5% in 2023/24, 1.2% in 2024/25 before returning to 1% increases,
- Government Grants: Increase by 2% per year.
- Pensions Grant continued to be paid at £1,711k per annum.
- Nil impact from any Fair Funding/Funding Formula review
- Nil impact from Business Rates Retention
- Rural Service Delivery Grant continues at £540k per annum.
- One-off Services Grant is added into the overall funding baseline.
- Inflation: 2% for most non-pay areas

3.27 It is important to recognise that these are assumptions and as such could easily change. These will be kept under close scrutiny/review as the year progresses and updates provided as/when more information becomes available.

3.28 Precept

Around 70% of the Net Budget Requirement for the North Yorkshire Fire and Rescue Service is now funded by the local precept and therefore when this area is constrained to below inflationary increases this causes greater challenges in North Yorkshire than most other Fire Services.

- 3.57 Some areas receive only 45% of their funding from the Precept with the average nationally, across Fire and Rescue Services, about 60%.
- 3.58 In publishing the final council tax referendum principles for 2022/23 the Government provided most Fire Authorities with the scope to increase Precept by up to 1.99% before triggering a local referendum.
- 3.59 This is the same as last year however they also provided scope for a £5 increase to those 8 FRA's with the lowest level of Band D Fire precept. Unfortunately North Yorkshire was not one of these Authority's.
- 3.60 Consultation was undertaken within North Yorkshire and the results published as part of the supporting information for the PFCC's decision to propose a 1.98% (or £1.47) increase in the Band D precept for 2022/23. This proposal was supported by the Police, Fire and Crime Panel and therefore this budget incorporates a Band D 'Fire' precept for 2022/23 for North Yorkshire of £75.61.
- 3.61 **Results from Public Consultation**
- 3.62 To further inform the decision around the proposed precept for 2022/23 consultation has been undertaken with the public to ascertain their feedback and thoughts on this subject.
- 3.63 The consultation was conducted via an online survey and by telephone, to ensure a representative sample of North Yorkshire and the City of York residents by age, gender and geography.
- 3.64 The public were asked the following:
- 3.65 Last year, the precept cap was below inflation making it difficult to maintain current service delivery and did not allow for any investment. We've made significant savings to protect frontline services, but new financial pressures, such as unfunded pay increases, mean we are now forecasting an annual £1 million budget deficit for the next 4 years which is not sustainable.
- 3.66 This year, the Government is likely to cap the fire and rescue precept at 1.99% which is a maximum increase of £1.47 per year for an average Band D property.
- 3.67 This will again be below inflation, meaning a cut to the Fire Service's budget.
- 3.68 The Commissioner is making the case to Government for precept flexibility for Fire, which the public have supported in previous years, but we want to know whether you continue to support that.
- 3.69 An increase beyond the 1.99% cap, would help remove the budget deficit and allow investment in our on-call firefighters to improve how often your on-call fire engines are available, and in our fire engines and fire stations to ensure our equipment and facilities are fit for purpose.

3.70 The following options are based on an average Band D property currently paying £74.14 each year for Fire and Rescue. How much more would you be prepared to pay per year, through your council tax for fire and rescue services?

- No more than I pay now – a precept freeze
This would mean a significant cut to the fire and rescue budget due to inflation and current service delivery could not be maintained.
- Up to £1.47, an increase of 1.99%
This would raise £450k, which is expected to be below inflation making it very difficult to maintain current service delivery with no additional investment in Fire and Rescue services.
- Up to £5, an increase of 6.7%
This would raise £1.5 million, which exceeds inflation, and would help reduce the financial shortfall and allow some investment in the areas mentioned.
- Up to £10, an increase of 13.5%
This would raise £3.0 million, which exceeds inflation, and would help reduce the financial shortfall and allow significant investment in the areas mentioned.

3.71 In total 1,502 responses were received via the open online survey and a further 1,011 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media. The results of the consultation are detailed at Appendix 4.

3.72 A summary of the overall results is shown in the table below:

	Total (n=2513)	Telephone (n=1011)	Online (n=1502)
No more than I pay now – a precept freeze	29%	28%	30%
Up to £1.47, an increase of 1.99%	21%	20%	21%
Up to £5, an increase of 6.7%	30%	32%	29%
Up to £10, an increase of 13.5%	20%	20%	21%
TOTAL who support an increase of at least £1.47/1.99%	71%	72%	70%
TOTAL who support an increase of at least £5/6.7%	50%	52%	50%

*figures may not add to 100% due to rounding

3.73 Combined results (online and telephone) from the consultation show a clear majority (71%) support an increase of up to £1.47 in the fire and rescue precept. With 50% also supporting an increase of £5.

3.74 The Tax Base

The eight local Councils have notified the PFCC of their tax bases for 2022/23 as set out in the table below:

Tax Base	2022/23	2021/22
	Net Tax Base	Net Tax Base
Craven District Council	23,234	22,363
Hambleton District Council	37,907	37,343
Harrogate Borough Council	65,125	63,985
Richmondshire District Council	19,787	19,704
Ryedale District Council	22,227	21,801
Scarborough Borough Council	38,694	38,401
Selby District Council	32,768	32,065
York City Council	68,220	67,512
Total	307,963	303,174
Annual Increase/(Decrease)	4,789	
Percentage Increase/(Decrease)	1.58%	

3.75 The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.

3.76 The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.

3.77 As can be seen from the table above the number of Band D equivalent properties across North Yorkshire has bounced back from a small decrease during 2021/22 and has increased in 2022-23, in comparison to 2021-22, by 4,789 – this equates to an increase of 1.58%

3.78 The 2022/23 tax base is therefore 307,962.84 Band D Equivalent properties

3.79 Setting the Council Tax

3.80 During 2021/22 the Councils indicated an overall deficit on their Council Tax collection funds, of which £277k related to Fire.

3.81 The Government recognised the challenge of absorbing these deficits in one year and therefore provided the flexibility to all billing and major precepting authorities

(including police and fire authorities) to phase the deficit over a fixed period of three years.

- The deficit is therefore being phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.

3.82 2022-23 is the second of these 3 years and therefore a £92k charge is factored into the overall collection fund position to produce an overall surplus of £87k.

3.83 Business Rates

3.84 While the Fire Authority's income is heavily reliant on income from Council Tax payers there is also another element of the income that is generated from local taxation and this is from Business Rates.

3.85 The Fire Authority receives 1% of the Business Rates collected within North Yorkshire which usually equates to around £3.1m per annum and similarly to Council Tax this is collected by the local councils and paid to the Fire Authority.

3.86 Similarly to last year there has been significant financial support provided to many businesses as a result of the pandemic, one of these elements of support has been a business rates holiday for retail, hospitality and leisure businesses, covering the following areas:

- shop
- restaurant, café, bar or pub
- cinema or live music venue
- assembly or leisure property - for example, a sports club, a gym or a spa
- hospitality property - for example, a hotel, a guest house or self-catering accommodation

3.87 Changes to these reliefs since the original budget for 2021/22 was set mean that the level of Business Rates bills expected to be paid and collection during 2021/22 did not materialise.

3.88 However the Councils were still required to pay 1% of the original position across to the Fire Authority.

3.89 As a result of paying across the proportion of Business Rates due to the Fire Authority, as required, but not being able to collect this from businesses then there is another significant deficit on the Business Rates Collection Funds across all Council areas relating to the Fire Authority.

3.90 This deficit, currently calculated to be £784k, will need to be re-paid to the Councils during 2021/22 from the Fire Authority.

3.91 It is expected that as these deficits arose as a result of 'reliefs' given by the Government that the Fire Authority will be compensated for this via an additional Grant, in the same way as the Authority is currently compensated for other 'reliefs' that the Government provide to businesses.

3.92 This MTFP assumes that £750k of this deficit will be recovered from additional

Government funding in line with reliefs given for all other changes to Business Rates, however this will need to be monitored over the coming year.

- 3.93 Beyond this challenge it is difficult to determine the longer term impact on Business Rates receipts given the challenging economic situation. Clearly the less businesses that survive this period the less that will be paying Business Rates in the future. These lower tax receipts will ultimately feed through into the overall funding available for Public services either locally or nationally.
- 3.94 The assumptions for both Council Tax and Business Rates will all be kept under review as details for future years become available and projections amended accordingly.
- 3.95 Specific Grants, Pensions Grant and General Income
A number of short term additional grants are expected to be received in 2022/23, in a similar way to those received in 2021/22 to support the challenges around both Council Tax and Business Rates that was referred to above.
- 3.96 As a result these sources of income and funding are forecast to provide between around £6.0m of funding in 2022/23, which is broadly in line with the levels budgeted in 2021/22. Thereafter these grant levels are expected to return to a more normal pre-pandemic level of circa £4.5m across the life of the plan, although this will depend on the future recover of the economy.
- 3.97 Pensions Grant
- 3.98 In early September 2018 HM Treasury announced changes to the discount rate for unfunded public-sector pensions including fire. This, combined with the earlier announcement at Budget 2016, has resulted in a reduction to the discount rate from 3% to 2.4% and has the effect of increasing the employer contributions (to include ill-health costs) from 17.6% to 30.2% from April 2019. The Government Actuary's Department estimated that the additional cost to fire as a result will be around £108.5m per annum.
- 3.117 HM Treasury indicated that additional funding would be provided to public sector bodies in 2019-20 to mitigate most of this increase, with the sector "paying only the additional costs announced at Budget 2016" (a reduction in the discount rate from 3% to 2.8%). This means that fire will pay £10m of the additional costs in 2020/21, with the remaining £98.5m being provided via a grant under section 31 of the Local Government Act 2003. Although FRAs have some cost to bear they have come out relatively well when compared to the Police.
- 3.118 This Grant seems to be now embedded within the financial settlements and whilst it hasn't been included within the Core Spending Power and Government Grant funding, it is expected that the grant will continue at the same cash level over the life of the spending review period. The plans therefore include this grant at £1,711k each year. Clearly if this grant ends then there will be a significant impact on the current MTFP.

3.119 Rural Services Delivery Grant (RSDG)

3.120 North Yorkshire Fire receives £540k in terms of Rural Services Delivery Grant, this has remained the same cash value as 2021/22 and therefore in real terms this grant has decreased.

3.121 One-off 2022-23 Services Grant

3.122 The Government have set out that this new grant, worth £424k to North Yorkshire Fire, is for 2022/23 only. The Government has indicated that 'we will work with the sector on how we distribute this funding from 2023/24 onwards.' This grant will be un-ring-fenced with authorities best placed to understand local priorities.

3.123 This funding stream makes up the vast majority of the increase in Government that the Fire Service will get in 2022/23 and while this is a one-off grant the plan assumes that this funding will be incorporated into the Baseline Funding in the future and increased in line with inflation. Clearly if this does not happen there will be a significant challenge in the future financial years.

3.124 Specific Grants

3.125 In addition to the Pensions Grant the other significant grants in this area include:

- PFI Grant - £649k – this Grant will continue, at the same level, until the PFI contract comes to an end.
- Business Rates Grant - £935k – these are 'normal' reliefs and indexation adjustments outside of the exceptional reliefs provided in relation to the pandemic.

3.126 These grants, by their nature, fund specific work/expenditure, and should the grants reduce/stop then the work will also need to be reviewed and stopped and/or funding from alternative sources found if possible. These areas will be closely monitored across the financial year.

3.127 The entire funding therefore expected to be available to the PFCC for the next 4 years, in comparison to 2021/22, is as follows:

	Actual	Forecast	Forecasts		
	Budget	Budget	2023/2024	2024/2025	2025/2026
	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	£'000	£'000	£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,660)	(8,272)	(8,976)	(9,156)	(9,339)
Rural Services Grant	(540)	(540)	(540)	(540)	(540)
Council Tax Precept 1.99%	(22,477)	(23,285)	(24,105)	(24,879)	(25,628)
Council Surplus/Deficit	63	(87)	(87)	(100)	(100)
NNDR Surplus/Deficit	1,665	806	27	6	6
Funding for the Net Budget Requirement	(29,949)	(31,379)	(33,681)	(34,669)	(35,601)
%age change in Net Budget Requirement		4.8%	7.3%	2.9%	2.7%
S31 NDR Grants and Specific Grants	(3,657)	(3,264)	(1,968)	(1,943)	(1,994)
Pensions Mitigation Grant	(1,711)	(1,711)	(1,711)	(1,711)	(1,711)
National Insurance increase Mitigation Grant	0	(424)	(433)	(441)	(450)
General Income	(620)	(567)	(441)	(456)	(471)
TOTAL FUNDING	(35,936)	(37,345)	(38,233)	(39,220)	(40,227)
%age change in Total Funding		3.9%	2.4%	2.6%	2.6%

3.128 As can be seen from the projected percentage changes to the Total Funding, it is going to be a significant challenge to be able to contain expenditure inflation (both Pay and Non-Pay) within these percentage increases. Whereas in previous years much has depended on pay settlements, there is now also the added challenge of significant levels of non-pay inflation being experienced within the economy.

3.129 While we are currently projecting to broadly balance the financial plans there continues to be a number of areas within the Service that require investment, some of which are currently being profiled to match future savings plans, or unfortunately have been delayed until they can be afforded. The current financial settlements and projections don't therefore provide any real scope for investment.

3.130 This is particularly the case with the on-call service.

4 Expenditure Plans

4.1 While the overall increases in Total Funding seem reasonable across the life of the plan, it is important to reflect on the additional costs that need to be funded from these increases:

	2022/2023
	£'000
Overall Increase in Funding	(1,409)
Unavoidable additional costs	
2021/22 unfunded pay award	287
Future Pay Awards	590
1.25 % National Insurance Increase	224
Non-pay Inflation	
Utilities and Premises costs	205
Fuel and motor parts inflation	94
Operational Equipment and Uniforms	204
Insurance Premiums	141
Other inflation and cost pressures	213
Increase in unavoidable costs	1,959

4.2 As can be seen from the above the total increase in unavoidable costs, in 2022/23 alone, is £550k more than the increased level of funding.

4.3 Projected increases in income in future years are expected to be more than absorbed by increases in both Pay and Non-Pay inflation. This will therefore require the Service to become either more efficient and/or change its future operating model to be able to balance the budget in the future.

4.4 However as referred to previously there are a number of areas within the Service that require investment, some of which are currently being profiled to match future savings plans, or unfortunately have been delayed until they can be afforded. The current financial settlements and projections doesn't therefore provide any real scope for investment.

- 4.5 The strive to therefore become more efficient and/or change its future operating model will therefore need to go beyond 'just' balancing the budget, if the Service is going to make the investments that it needs in the coming years.
- 4.6 The search for savings and efficiencies continues to receive a lot of focus and a further £513k of savings/reductions have been factored into the 2022/23 MTFP, these are summarised within the table below:

	2022/2023
	£'000
Savings plans	
Rates and Rent Costs	(213)
Motor Insurance and other transport savings	(44)
Supplies and Services	(90)
Training and Overtime	(63)
Capital Charges	(104)
Total Savings	(513)
Reduced Contributions to Capital	(451)
Total Savings/Reductions	(964)

- 4.7 In addition to the savings factored into the 2022/23 budget we have also reduced the amount of funding that we are contributing into the Capital Programme by £451k, in comparison to the amount budgeted for 2021/22.
- 4.8 Lower contributions into the Capital Programme have been maintained throughout the life of this MTFP to help balance the overall plans. How this has been achieved is set out later in the report.
- 4.9 In February 2021 the Medium Term Financial Plan that was approved required the use of Reserves across each year of the financial plans until a return to a recurring balanced position was achieved in 2024/25. This was summarised in the table below:

Draft MTFP - February 2021	2020/21	2021/2022	2022/2023	2023/2024	2024/25
	£'000	£'000	£'000	£'000	£'000
Total Funding	(35,261)	(35,936)	(36,418)	(37,290)	(38,313)
Total Expenditure	35,544	36,278	36,809	37,406	38,313
(Surplus)/Deficit before Reserves	282	342	390	116	(0)

4.10 As a result of a change in approach to the funding of Capital and the delivery of just over £500k of savings then **the overall Budget has been returned to a balanced recurring financial position.** This is summarised below:

	Actual	Forecast	Forecasts		
	Budget	Budget	2023/2024	2024/2025	2025/2026
	2021/2022	2022/2023	£'000	£'000	£'000
	£'000	£'000	£'000	£'000	£'000
TOTAL FUNDING	(35,936)	(37,345)	(38,233)	(39,220)	(40,227)
TOTAL EXPENDITURE BUDGET	36,260	38,161	38,542	39,384	40,246
(Surplus)/Deficit before Reserves	342	816	309	164	19
Planned Transfers to/(from) General Earmarked Reserves:					
Revenue Budget Support	(342)				
Planned Transfers to/(from) Specific Earmarked Reserves:					
New Developments Reserve	0	(239)	(187)	(124)	0
Pensions Grant		(45)			
ESMCP/Local Transition Resource Reserve	0	(94)	(18)	(18)	(18)
Home Office Protection Uplift Grant Reserve	0	(417)	(82)	0	0
Collection Fund reserve		(22)	(22)	(22)	
(Surplus)/Deficit After Reserves	0	0	0	0	0

4.11 While each of the above years are showing a deficit before reserves this is because there is expenditure included within the plans that are directly linked to specific earmarked reserves (such as the Protection Uplift work).

4.12 The funding from reserves is then being released to match the expenditure. If we didn't have the funding then we wouldn't incur the expenditure and our overall expenditure would reduce back down to our overall funding level.

5 Overall Revenue Budget Summary

5.1 Sections 3 and 4 of this report set out the details of the Income and Expenditure for both the coming financial year and the assumptions about future years. This results in the following summary revenue budget and MTFP.

	Actual	Forecast	Forecasts		
	Budget	Budget	2023/2024	2024/2025	2025/2026
	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	£'000	£'000	£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,660)	(8,272)	(8,976)	(9,156)	(9,339)
Rural Services Grant	(540)	(540)	(540)	(540)	(540)
Council Tax Precept 1.99%	(22,477)	(23,285)	(24,105)	(24,879)	(25,628)
Council Surplus/Deficit	63	(87)	(87)	(100)	(100)
NNDR Surplus/Deficit	1,665	806	27	6	6
Funding for the Net Budget Requirement	(29,949)	(31,379)	(33,681)	(34,669)	(35,601)
%age change in Net Budget Requirement		4.8%	7.3%	2.9%	2.7%
S31 NDR Grants and Specific Grants	(3,657)	(3,688)	(2,401)	(2,384)	(2,444)
Pensions Mitigation Grant	(1,711)	(1,711)	(1,711)	(1,711)	(1,711)
General Income	(620)	(567)	(441)	(456)	(471)
TOTAL FUNDING	(35,936)	(37,345)	(38,234)	(39,220)	(40,228)
%age change in Total Funding		3.9%	2.4%	2.6%	2.6%
Expenditure					
Wholetime Firefighters	17,139	18,293	18,508	18,790	19,041
On Call Firefighters	3,342	3,481	3,550	3,621	3,694
Administrative & Clerical	3,423	3,821	3,879	3,904	3,982
Control Room Staff	789	838	871	889	906
Direct Staff Costs	24,694	26,433	26,808	27,203	27,623
Indirect Staff Costs	453	525	470	478	484
PFCC Staff Costs	76	76	77	79	80
Premises	2,090	2,106	2,092	2,132	2,173
Transport	794	854	865	878	892
Supplies and Services	3,344	3,840	3,467	3,423	3,491
Operating Leases	51	39	39	40	41
External Service Agreements	212	200	198	201	205
PFI (inc. capital element)	1,480	1,553	1,560	1,599	1,639
Total Indirect Staff and Non Staff Costs	8,500	9,192	8,767	8,831	9,005
PENSIONS	819	831	847	862	879
TOTAL EXPENDITURE BEFORE CAPITAL CHARGES	34,013	36,456	36,422	36,897	37,507
Provision for Debt Repayment	1,132	1,052	1,402	1,613	1,835
External Interest	530	519	585	630	734
Revenue Contribution to Capital	585	134	133	244	170
Total Capital Charges	2,248	1,705	2,120	2,487	2,739
TOTAL EXPENDITURE BUDGET	36,260	38,161	38,542	39,384	40,246
(Surplus)/Deficit before Reserves	343	816	308	164	18
Planned Transfers to/(from) Earmarked Reserves:					
Revenue Budget Support	(343)				
New Developments Reserve	0	(239)	(187)	(124)	0
Pensions Grant	0	(45)	0	0	0
ESMCP/Local Transition Resource Reserve	0	(94)	(18)	(18)	(18)
Home Office Protection Uplift Grant Reserve	0	(417)	(82)	0	0
Collection Fund reserve	0	(22)	(22)	(22)	0
(Surplus)/Deficit After Reserves	0	0	0	0	0

- 5.2 As can be seen from the above summary revenue budget the overall financial position of the Fire and Rescue Service has been returned to a recurring balanced financial position.
- 5.3 This has however been broadly achieved through significant reductions in the level of funding being provided to the Capital Programme and then a re-provision of some reserves to bolster the overall Capital Programme.
- 5.4 The main assumptions that underpin the plan are as follows:

	Actual	Forecast	Forecasts		
	Budget	Budget	2023/2024	2024/2025	2025/2026
	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	£'000	£'000	£'000	£'000	£'000
<u>Employee Numbers (Budgeted as at 1st April)</u>	FTEs	FTEs	FTEs	FTEs	FTEs
Wholetime Firefighters	306.0	311.0	308.0	307.0	305.0
Retained Duty System Firefighters	342.0	342.0	342.0	342.0	342.0
Support Staff	88.1	92.5	92.5	89.5	90.5
Control Staff	17.5	17.5	17.5	17.5	17.5
<u>Assumptions</u>					
Staff Pay Increase	0.0%	3.0%	2.0%	2.0%	2.0%
Non Pay Inflation	1.5%	2.0%	2.0%	2.0%	2.0%
Precept Increase	2.0%	2.0%	2.0%	2.0%	2.0%
Council Tax Base Increase	-0.2%	1.6%	1.5%	1.2%	1.0%

- 5.5 While the reduced contributions into Capital and the changed use of reserves is not ideal the bigger challenge is that despite the delivery of over £500k of savings again these savings have not been able to contribute towards the future plans that the Service will need to implement. The Save to Invest ambition continues to be a Save to Balance necessity for 2022/23.
- 5.6 Further focus will be required going forward to deliver against the Ambition 2025 plan and some of the key projects and work streams that are being developed within the organisation to help deliver the improvements and ambitions that the Service continue to aspire to deliver.

6 **Fire Transformation Programme**

- 6.1 Beyond business as usual and the focus on balancing the budget, in the short term, it is also important to key an eye on where the Service is trying to move towards which aligns with the Ambition 2025 vision and the CARE principles within the Fire and Rescue Plan.
- 6.2 The strategic intent for the Fire Transformation Programme has been defined and is as follows:
- The Fire and Rescue Plan CARE principles are met through the Service's delivery model of prevention, protection, resilience and response. To fulfil the CARE principles, and further reduce the current and foreseeable fire and rescue related risks in North Yorkshire and the City of York, it is necessary to redesign the service model to prioritise prevention and protection activity, enabling a flexible, affordable and sustainable multi-year model.
 - The Risk and Resource Model (RRM) will develop the Community Risk Profile (CRP) for the Service area, and realign Service resources to remove, reduce and mitigate the risk. The RRM will define a resource plan to align the most effective and efficient distribution of resources. This will facilitate the Fire Transformation Programme until the output of the next RRM."
- 6.3 A Community Risk Profile has been developed which has enabled a deeper understanding of the risk from fire and rescue related risks within our county and it is now estimated that a new RRM will be in place from September 2022, allowing greater time for the development of the resource options and to include a robust 90-day public consultation period.
- 6.4 This work will clearly have a significant impact on both the operational and financial direction of the Fire Service over the medium term.
- 6.5 Wider Transformation
- 6.6 Other elements contained within the wider Fire Transformation Programme will also be progressed to support the redesign of the Service and complement the RRM. The current focus remains on the RRM project given the tight timescales and resource requirement to complete however, further programme planning has been undertaken to progress other Transformation Programme elements.
- 6.7 Short term deliverables of the wider Programme include:
- FireWatch Availability App – a need to 'stabilise' the FireWatch platform before the implementation of the app was identified at an early stage of implementation. This is being progressed by People Services as the Business Lead for the FireWatch platform, with Transformation Team input. The anticipated timescales for implementation of the app will therefore be delayed. A communication from the Transformation Team is therefore necessary to reset On-call staff expectations relating to this improvement.
 - The development and competence framework is being modified to reduce the burden placed on staff due to a previous requirement to maintain a

journal.

- The On-call recruitment process has been subject to a light-touch review to identify and improve areas of weakness for the most recent trainee courses. However, this now needs a deeper review to ensure a fit for the longer term and to achieve a redefined and more effective process.

6.8 **Enable**

6.9 The process to Simplify, Standardise and Share enabling services with the Police Service as part of the Enable Collaboration agreement will continue to be one of the key areas of development over the coming financial years. The expectation being that the move to 'Enable' is expected to offer the opportunity to both improve services and deliver increased value for money.

6.10 Now that all areas have been reviewed and revised staffing structures agreed across Enable, including some areas of investment, then progress should be expected to be able to fully support what the Service needs to do to meet its Ambitions.

6.11 There have been no assumptions, in terms of either the timing and/or level of future savings and/or costs that may result from this collaboration, factored into this MTFP and therefore updates on both the progress and impact of this collaboration will be included in future financial updates.

6.12 **Further Strategic Priorities**

6.13 A number of Strategic Priorities were identified and reported on during 2021/22, and many of these will continue to be key areas as we move into 2022/23.

6.14 In addition to the work on the RRM, the on-going financial challenges and the continued work to embed and maximise value from the Enable collaboration the Service will continue to prioritise the following during 2022/23:

- Culture Change
- HMICFRS Inspection
- Succession Planning and Talent Management
- Public Safety Service

6.15 **Capital Financing and Expenditure**

- 6.16 The funding of the capital programme continues to be one of the most significant challenges facing the Authority given that the significant needs for investment have a significant impact on an already difficult revenue budget when the revenue consequences of the capital investment plans are taken into account.
- 6.17 To try to better manage these conflicting needs the Capital Programme has been reviewed and updated along with a review of Reserves.
- 6.18 As a result this plan has reallocated £2,084k out of the following reserves and into the Capital Reserve:
- £840k out of the Pensions Reserve
 - £618k out of the Budget Support Reserve
 - £495k out of the Pay and Price Reserve
 - £95k out of the Collection Fund Reserve
 - £36k out of the New Developments Reserve
- 6.19 This reallocation, aligned with lower contributions from the revenue budget into capital has enabled the Revenue Budget to be balanced on a recurring basis.
- 6.20 While the need to borrow to fund the Capital programme is significant, at £25m over the next 5 years, this is line with previous plans and expectations.
- 6.21 It is important to recognise that borrowing at this level is unsustainable and therefore when considering future service delivery options there needs to be a recognition that one of the outcomes from this is will be to deliver and sustainably support the capital investments/needs of the Service.
- 6.22 The longer term Building replacement plans have been reflected upon and phased into the plans to coincide with the end of the PFI scheme. This is expected to provide the capacity within the Revenue budget to pay for the additional interest and debt repayment costs that will result from increasing investment and borrowing. If this does not materialise then the current plans do not have the capacity to fund these investments.

6.23 The Capital Programme included within this MTFP and summarised below, is based on a programme of expenditure of just under £31m across the next 5 years with projected borrowing of £25.3m.

	Estimated	Estimated	Estimated	Estimated	Estimated
	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Capital Reserves brought forward	3,025	1,795	1,066	666	226
FUNDING	£000	£000	£000	£000	£000
Revenue Contribution to Capital	134	133	244	170	715
Capital Contribution from NYP (Ripon)	462				
Capital Receipts	52	221	236	142	196
Borrowing	5,896	3,551	5,375	5,318	5,205
TOTAL FUNDING	6,544	3,905	5,855	5,630	6,116
EXPENDITURE:					
TRANSPORT excluding Cars	4,755	2,187	2,857	1,434	985
TRANSPORT - Cars	198	570		85	832
ESTATES	2,136	863	2,518	3,814	3,921
INFORMATION TECHNOLOGY	685	514	880	738	341
LOGISTICS		500			
TOTAL	7,774	4,634	6,255	6,070	6,079
Capital Reserves carried forward	1,795	1,066	666	226	263

6.24 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PFCC's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper 'Treasury Mgmt Strategy 22-23' will provide the PFCC with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

7. Reserves

- 7.1 The level of usable reserves of fire and rescue authorities is of particular interest at a national level and it is recognised that there is a need for greater transparency around reserves. The updated Fire & Rescue National Framework makes reference that the general fund balance of a FRA should be around 5% of the total revenue budget.
- 7.2 The last assessment of overall Fire Reserves at a National level took place in 2019 and showed that total reserves across the 29 'Standalone' Fire Services totalled £538m, which is 37% of how much these Services spend in a year. At the time North Yorkshire has the 3rd lowest out of these 29 Services as 19%.
- 7.3 Given the influx of Government Funding over the last couple of years, which have to be set aside in Earmarked Reserves and spent over future years, over level of reserves have increased. However over the life of this plan reserves are expected to reduce to the following levels:
- End of 2022/23 - £5.2m (16.7% of Net Budget Requirement)
 - End of 2023/24 - £4.2m (12.5% of Net Budget Requirement)
 - End of 2024/25 - £3.6m (10.5% of Net Budget Requirement)
- 7.4 There is a requirement for a Reserves Strategy to be developed to provide transparency around all of the reserves that a PFCC has, why they are needed and how they are expected to be used. This Strategy is appended to this report for approval at Appendix B.

8. Risks

- 8.1 The major risks and unknowns surrounding the figures presented here are set out below and have been discussed in the above report:
- Pay Awards are higher than the assumptions within the plan
 - Any differences between the future years' actual Government Grant settlements, and the estimated figures.
 - Business Rates Retention and Fair Funding Review
 - Variations in future years between the estimated tax base used and the actual declared tax base.
 - That the public does not support the precept increases that are factored into the current plans.
 - Increasing costs of the employers Pension Contribution into the Fire Pension Fund.

- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.

9 **Robustness Advice**

- 9.1 The Local Government Act 2003 introduced a formal requirement on authorities to consider the advice of the Treasurer/s151 Officer on the robustness of the budget proposals, including the level of reserves. If the PFCC ignores this advice the Act also requires them to record this position. This latter provision is designed to recognise the statutory responsibilities of Treasurers/Chief Finance Officers.
- 9.2 For the reasons set out in this report and from my own review of the estimates process I am satisfied that the proposed spending plan for 2022/23 is sound and robust. There are however a number of areas of savings that will need to be delivered from a revenue perspective in 2022/23 to deliver the proposed budget. The likely risk from a financial perspective, however, in terms of revenue spending in 2022/23 is likely to be in relation to the levels of pay awards agreed during the year as well as significant levels of non-pay inflation that are clearly feeding through into the costs for the Service.
- 9.3 It will be vital to continue to closely monitor the financial position throughout 2022/23 to ensure that the savings plans that are required to balance the plan in future years are developed and the transformation work that is required is undertaken.
- 9.4 The reliance on borrowing to fund the Capital plans of the organisation is an area of on-going concern and something that will need to be considered especially given what appears to be a need for significant investment in the asset base of the Fire Service.
- 9.5 The plans are however robust and the focus will continue to be on delivering the schemes and the benefits that are expected from those schemes.
- 9.6 A review has been undertaken of Fire's reserves and general balances. The general balances and reserves are an important part of the PFCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PFCC would have adequate levels of financial reserves and general balances through 2022/23 provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.

APPENDIX A

	Estimated	Estimated	Estimated	Estimated	Estimated
	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Capital Reserves brought forward	3,025	1,795	1,066	666	226
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TRANSPORT - Cars	198	570		85	832
ESTATES	2,136	863	2,518	3,814	3,921
INFORMATION TECHNOLOGY	685	514	880	738	341
LOGISTICS		500			
TOTAL	7,774	4,634	6,255	6,070	6,079
Capital Reserves carried forward	1,795	1,066	666	226	263

North Yorkshire Police Fire and Crime Commissioner Fire and Rescue Authority

Reserves Strategy

The level of usable reserves of fire and rescue authorities is of particular interest at a national level and it is recognised that there is a need for greater transparency around reserves. The updated Fire & Rescue National Framework makes reference that the general fund balance of a FRA should be around 5% of the total revenue budget.

The National Framework

The National Framework which was published in May 2018 includes a section on reserves, the main components of which are:

- General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. These should be established as part of the medium term financial planning process.
- Each fire and rescue authority should publish their reserves strategy on their website. The strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should provide information for at least two years ahead.
- Sufficient information should be provided to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the fire and rescue authority's Medium Term Financial Plan (MTFP).
- Information should be set out in a way that is clear and understandable for members of the public and should include:
 - How the level of general reserve has been set.
 - Justification for holding a general reserve larger than five percent of budget.
 - Whether the funds in each earmarked reserve are legally or contractually committed, and if so, what amount is committed and,
 - A summary of what activities or items will be funded by each earmarked reserve and how these support the fire and rescue authority's strategy to deliver good quality services to the public.

The information on each reserve should make clear how much of the funding falls into the following three categories:

- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.

- Funding for specific projects and programmes beyond the current planning period. There is not a recognised formula for determining the level of reserves that a fire authority should maintain. It is up to each authority to consider the local circumstances and the potential issues/risks that may occur across the medium term. In determining the level of reserves for the Authority the risks and issues that need to be taken into account will include the following:
 - The possibility of savings not being delivered; as levels of funding continue to be constrained, the need for annual reductions in spending is likely. This is likely to mean the identification of savings proposals carry a potentially greater risk of not being delivered.
 - To provide cover for extraordinary or unforeseen events occurring: given the purpose of the fire and rescue service is to respond to emergency situations, there is always the potential for additional, unexpected and unbudgeted expenditure to occur.
 - The commitments falling on future years as a result of capital plans and proposals to improve the asset base. Having reserves mitigates the impact on the revenue budget of borrowing and/or revenue contributions to capital and would support projects/programmes that will support revenue efficiencies.
 - The risk on inflation, especially pay. There remains continued pressure on pay inflation to be in excess of those provided for in the MTFP.

Reserves Policy

The PFCC considers Reserves annually as part of the Budget Setting Process. The principles that underpin this area are as follows:

Reserves are maintained to:-

- (a) Create a contingency to help cushion the impact of unexpected events or emergencies - the General Reserve.
- (b) Build up funds (often referred to as earmarked reserves) to meet specific future requirements, including the smoothing out of peaks in costs and the effect of loss of external funding.

The level of reserves is taken into account when calculating the council tax requirement. This ensures a balanced budget position is maintained and enables regard to be given to affordability when considering future revenue requirements and capital programmes.

The reserves must be reported to the PFCC on a regular basis as part of budget and financial monitoring. Part of this exercise is to ensure continuing relevance and adequacy and to enable the Medium Term Financial Plan to be up-dated.

The actual level of reserves, earmarking and utilisation are considered when up-dating the MTFP and as part of its on-going review.

General Reserve

In setting the level of the General Reserve, consideration is given to the adequacy of financial control, the overall financial position, medium-term plans and strategic, operational and financial risks facing the PFCC. The level of the General Reserve is reviewed by the Police and Crime Commissioner on the advice of the PFCC's Chief Finance Officer having regard to these matters.

Key Principles are:-

- (a) The General Reserve will not be used to meet on-going revenue items.
- (b) The General Reserve may be used, on an exceptional basis, as a short-term option to balance the budget, particularly where major operations are experienced.
- (c) The PFCC will aim to maintain the level of General Reserves at not less than 3% of the net revenue budget.
- (d) The level of the General Reserve is re-assessed annually as part of the annual budget-setting process.

Reserves Forecast

The following schedule sets out the forecast movements on reserves over the life of the current long term financial plan, it is important to recognise that whilst the schedule sets out the expected use of the current reserves, circumstances will change and all reserves will be reviewed at least annually. It is also important to recognise that there will undoubtedly be a need to create new reserves, in future years, to deal with risks that are currently unknown; the likelihood is that they will not reduce in overall financial terms as exactly planned and that while current reserves are spent, new reserves are likely to be needed to manage future risks.

	Balance at 31 March 2021 £000	Reclassification £000	Transfers In 2021/22 £000	Transfers Out 2021/22 £000	Balance at 31 March 2022 £000	Transfers In 2022/23 £000	Transfers Out 2022/23 £000	Balance at 31 March 2023 £000	Transfers In/Out 2023/24 £000	Balance at 31 March 2024 £000	Transfers In/Out 2024/25 £000	Balance at 31 March 2025 £000
Pay & Price Reserve	757	-495		-262	0		0	0		0		0
Pay and Pensions Reserve	1,860	-840		-20	1,000		-45	955		955		955
New Developments Reserve	1,125	-36		0	1,089		-778	311	-187	124	-124	0
Revenue Budget Support Reserve	849	-618		-231	0		0	0	0	0		0
Insurance Reserve	80				80			80		80		80
Recruitment Reserve	175				175			175		175		175
Hydrants Reserve	200				200			200		200		200
COVID19 Reserve	132			-108	24			24		24		24
Collection Fund Reserve	161	-95			66		-22	44	-22	22	-22	0
HO Grant - Protection Funding Reserve	790		120		910		-417	493	-82	411		411
HO Grant - ESMCP Reserve	347			-66	281		-94	187	-18	169	-18	151
Total Earmarked Reserves	6,476	-2,084	120	-687	3,825	0	-1,356	2,469	-309	2,160	-164	1,996
Earmarked Capital Reserve	400	2,084	541	0	3,025	0	-1,230	1,795	-729	1,066	-400	666
General Reserves	1,075				1,075			1,075		1,075		1,075
% of Net Budget Requirement	3.4%				3.6%			3.3%		3.2%		3.1%
Total Usable Reserves	7,951				7,925	0	-2,586	5,339	-1,038	4,301	-564	3,737
Capital Receipts Reserve	0	0	0	0	0	0	0	0	0	0	0	0

Why have these Reserves been established and what will they be used for?

General Contingency Reserves:

Pay & Price Reserve

This reserve will be used completely during 2021/22 to support the costs of the unfunded pay award in 2021/22 and the remainder added to the Capital Reserve.

Pay and Pensions Reserve

This reserve had previously just been a Pensions Reserve and had been built up over previous years' through the transfer of any underspends arising on the cost of Firefighters' pensions charged to the Revenue Account. The proposed level was based upon:

- a) one year's estimated funding from the Home Office in mitigation of the increase in Employers Firefighters Pensions contributions arising from the Pensions 2016 Valuation.

As the risk of losing this grant seems to have mitigated the overall level of the reserve has been reduced and combined with the Pay Reserve.

The reserve is forecast to have £1m in at the start of 2022/23, which provides scope to fund, in the short term, pay award in excess of those included within the budget. Each 1% equates to circa £265k. In addition to this the reserves provides some allowance for injury/medical pensions that are over and above the budgeted position and also mitigates the risk that future contributions into the Local Government Pension Scheme, which is reviewable from the 1st April 2023, can be funded, in the short term, if there is an increase.

Recruitment Reserve

This reserve has been established to fund the costs of Trainee Firefighters while in training and therefore unavailable for service delivery. This will help ensure that gaps in service are not required while training takes place.

Hydrant Reserve

While the work to repair, maintain and replace Fire Hydrants is the responsibility of Yorkshire Water the costs are the responsibility of the Fire Service. This leaves little control over the amount of work done, the timing of the work and the visibility and timeliness of charging. This reserve has therefore been established to deal with the variable nature of this area of cost.

Insurance Reserve (General Contingency Reserve)

The Police, Fire and Crime Commissioner operate on a self-insurance basis determined by the level of excess on the cover provided by external policies. This reserve is ring-fenced for insurance requirements only and cannot be used for other purposes. This reserve was established following the approval of the 2019/20 Budget and MTFP, the level being calculated on the basis of historic budget impact of past claims.

Funding for Planned Expenditure over MTFP Reserves:

New Developments/Revenue Initiatives Reserve

This reserve has been fully committed to deliver the Fire Transformation Programme over the next 3 years, as well as the additional resources within the Programme Management Office.

Revenue Budget Support Reserve

This reserve will be used completely during 2021/22 to support the 2021/22 budget as planned and then the remainder will be added to the Capital Reserve.

COVID Reserve

This reserve is expected to be mostly used during 2021/22 to support the additional costs incurred from Covid.

Collection Fund Reserve

£22k per year, for the next 2 years, will be released to support the Road Safety Partnership. The remaining £95k will be released to the Capital Reserve.

Home Office Grant Funding

This specific funding reserves will be spent in line with the Grant terms and conditions from the Home Office. Should funds remain at the end then it is likely they would need to be returned to the Home Office.

Capital Reserve

The service has recognised the significant level of investment that it needs to make in terms of Estates, Equipment and Fleet, however constantly borrowing to do so is not sustainable and therefore a Capital Reserve has been established to help support the vital investment that is needed in these areas, and in shorter term Information Technology assets, while helping to manage borrowing and the costs associated with borrowing. This reserve is expected to be fully utilised by March 2026.